Managing Money on Universal Credit

While Universal Credit may be working for some, there are a significant number of people who are having problems managing their money.

Evidence from Citizens Advice shows that while changes introduced by the Government since 2017 have started to help people they've only made a dent in the problem rather than fixed it.

People face particular problems during the five week wait for a first payment but financial problems can last beyond this. Universal Credit is paid in rigid ways that make it hard for some to budget, leaves little financial wriggle room and deductions for debt repayments are common.

Further changes are needed so that people are paid enough to live on and in a way which reflects people's lives and how they budget.

The evidence suggests people need more help

The wait for an initial payment still leaves half of the people we help unable to keep up with bills, rent or going without essentials.

7 in 10 (70%) of the people we see on Universal Credit who take out advances are also getting into arrears on bills or rent.

Debt problems are more common for the people we help with Universal Credit than those claiming legacy benefits, with 24% of people we helped also seeking debt advice.

Only 45% of people we helped last year who were in work before claiming Universal Credit were paid monthly.

Deductions in Universal Credit were experienced by more than half of all claimants in September 2018.

By the end of this year, the number of people claiming Universal Credit will double to 3 million. Evidence shows many are struggling to get by and more action is needed:

1. Explore ways to get payments to people more quickly

Explore ways of getting first payments to people quicker including changing the start date of assessment periods

Provide additional financial support before first payments including bringing forward the new legacy benefit run-ons planned for 2020

2. Ensure Universal Credit provides enough to live on

End the benefit freeze and review the way benefits are set

Protect incomes as people move onto Universal Credit, regardless of how they migrate onto the benefit

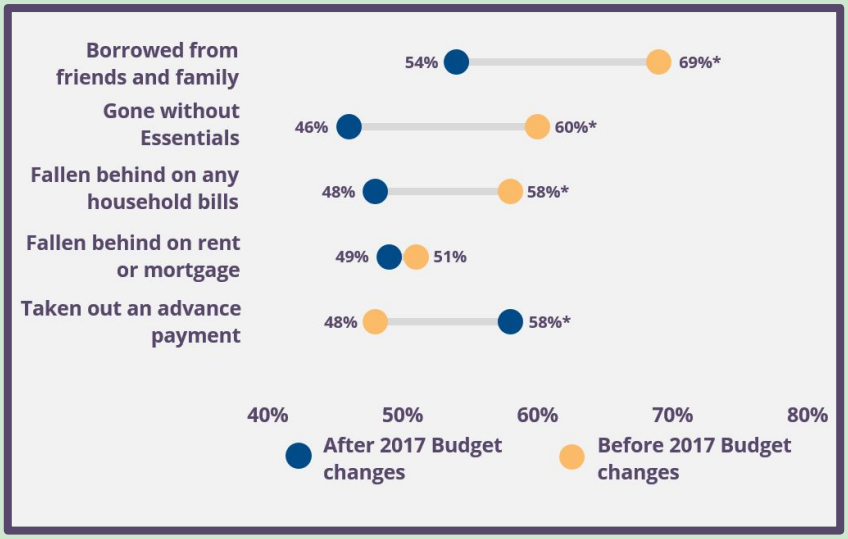
Ensure deductions don't cause hardship by exploring changes to the way advance payments and government debts are repaid and evaluating whether a 30% deductions cap is affordable for people

3. Help people to budget by designing Universal Credit around real lives

Explore a redesign of assessment and payment cycles in Universal Credit to establish flexibility as an integral part of the system

Provide flexibility now by expanding access to, and fixing problems with, Alternative Payment Arrangements

How government changes have affected the way people we help cope with the five week wait



*Source: Citizens Advice, survey of UC clients (all those due a payment), July to September 2018. Base: 459. *Indicates a statistically significant difference.*

Case study

Katie lives alone since the last of her 3 children left home and works 15 hours a week in a shop. She used to claim ESA as a result of her mental health problems and sensory impairment. Moving to Universal Credit has meant she is *"Just constantly worrying."*

Before, she felt she was doing a good job of budgeting, and didn't have to borrow. Her rent got paid directly, she used ESA to pay her bills, then used her wages for the rest of her living costs. Since moving to Universal Credit and receiving a single monthly payment, this has become much harder.

On top of that, she had to take out an advance payment to get through the 5 week wait and it's now being deducted at £60 a month. She is also having money taken for a Tax Credit overpayment from several years ago. As a result she's struggling to afford enough to eat or heat her home, and she has to borrow to get by.

Why Universal Credit matters

Universal Credit is the biggest change ever made to the benefit system, bringing together six benefits into a single payment. It replaces a legacy system that people also struggle with.

When Universal Credit is fully rolled out, **around 7 million families will receive it. Over half of those households will be in work.**

The aim – to simplify our benefits system – is right. However many people are having problems. **Citizens Advice has so far helped 190,000 people with Universal Credit issues**.

Universal Credit is now rolled out across the country with **1.6 million more people expected to move onto the benefit this year**. It's vital urgent action is taken to fix existing problems to make sure Universal Credit works for everyone.

citizens advice

To find out more about UC, read our latest report on our website: **citizensadvice.org.uk/welfare** or contact Melanie.Pope@citizensadvice.org.uk